

CITY OF KNOXVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2004

(amounts expressed in thousands)

NOTE 12 - RISK MANAGEMENT (continued)

Metropolitan Knoxville Airport Authority

The Authority is subject to risks that include personal injury, property damage, employee bodily injury, employee theft, employee medical, public officials and employee conduct, and workers' compensation. The Authority has purchased insurance policies that transfer these risks, subject to policy limits. After the September 11, 2001 terrorist attacks, the Authority's insurance carrier limited war risk liability coverage to \$1 million. The Authority purchased additional war risk liability coverage up to a maximum of \$50 million subject to a \$10 million deductible. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13 - SEGMENT INFORMATION

Segment information for business-type component units is as follows:

Metropolitan Knoxville Airport Authority

The Metropolitan Knoxville Airport Authority provides services through two divisions - McGhee Tyson Airport and Downtown Island Airport. Summary financial information for each of the activities is presented below:

Condensed Statement of Net Assets

	McGhee- Tyson	Downtown Island	Total
Assets:			
Current Assets	\$ 27,998	\$ 130	\$ 28,128
Restricted assets	901	46	947
Net capital assets	167,663	3,306	170,969
Other assets	3,713	9	3,722
Total assets	<u>\$ 200,275</u>	<u>\$ 3,491</u>	<u>\$ 203,766</u>
Liabilities:			
Current liabilities	\$ 2,412	\$ 80	\$ 2,492
Long-term debt	106,547	430	106,977
Total liabilities	<u>108,959</u>	<u>510</u>	<u>109,469</u>
Net assets:			
Invested in capital assets, net of related debt	63,339	2,883	66,222
Restricted	901	47	948
Unrestricted	27,076	51	27,127
Total net assets	<u>91,316</u>	<u>2,981</u>	<u>94,297</u>
	<u>\$ 200,275</u>	<u>\$ 3,491</u>	<u>\$ 203,766</u>

(continued)

CITY OF KNOXVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2004

(amounts expressed in thousands)

NOTE 13 - SEGMENT INFORMATION (continued)

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	McGhee- <u>Tyson</u>	Downtown <u>Island</u>	<u>Total</u>
Operating revenues	\$ 16,900	\$ 227	\$ 17,127
Operating expenses:			
Provision for depreciation	10,941	558	11,499
Other	<u>11,596</u>	<u>247</u>	<u>11,843</u>
Total operating expenses	<u>22,537</u>	<u>1,032</u>	<u>40,469</u>
Operating loss	(5,637)	(805)	(23,342)
Non-operating income (expense), net	<u>699</u>	<u>650</u>	<u>1,349</u>
Change in net assets	(4,938)	(155)	(5,093)
Net assets – beginning of year	<u>96,254</u>	<u>3,136</u>	<u>99,390</u>
Net assets – end of year	<u>\$ 91,316</u>	<u>\$ 2,981</u>	<u>\$ 94,297</u>

Condensed Statement of Cash Flows

	McGhee- <u>Tyson</u>	Downtown <u>Island</u>	<u>Total</u>
Operating activities	\$ 4,811	\$ (38)	\$ 4,773
Investing activities	(5,124)	8	(5,116)
Capital and related financing activities	<u>374</u>	<u>(86)</u>	<u>288</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 61</u>	<u>\$ (116)</u>	<u>\$ (55)</u>

Knoxville Utilities Board

The Knoxville Utilities Board has four identifiable activities for which revenue bonds and other revenue-backed debt is outstanding. Summary financial information for each of the activities is presented below:

(continued)

CITY OF KNOXVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2004

(amounts expressed in thousands)

NOTE 13 - SEGMENT INFORMATION (continued)

Condensed Statement of Net Assets

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
Assets:					
Current assets	\$ 89,676	\$ 64,734	\$ 33,818	\$ 26,691	\$ 214,919
Restricted assets	20,858	5,830	6,133	6,476	39,297
Net capital assets	273,082	160,823	139,506	184,588	757,999
Other assets	18,958	7,591	7,931	7,638	42,118
Total assets	<u>\$ 402,574</u>	<u>\$ 238,978</u>	<u>\$ 187,388</u>	<u>\$ 225,393</u>	<u>\$ 1,054,333</u>
Liabilities:					
Current liabilities	\$ 71,900	\$ 37,387	\$ 22,403	\$ 22,587	\$ 154,277
Other liabilities	9,889	1,975	1,596	1,583	15,043
Long-term debt	108,290	77,365	35,700	53,865	275,220
Total liabilities	<u>190,079</u>	<u>116,727</u>	<u>59,699</u>	<u>78,035</u>	<u>444,540</u>
Net assets:					
Invested in capital assets, net of related debt	148,226	63,625	89,409	117,156	418,416
Restricted	2,621	1,031	664	392	4,708
Unrestricted	61,648	57,595	37,616	29,810	186,669
Total net assets	<u>212,495</u>	<u>122,251</u>	<u>127,689</u>	<u>147,358</u>	<u>609,793</u>
	<u>\$ 402,574</u>	<u>\$ 238,978</u>	<u>\$ 187,388</u>	<u>\$ 225,393</u>	<u>\$ 1,054,333</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
Operating revenues	\$ <u>362,511</u>	\$ <u>111,353</u>	\$ <u>28,297</u>	\$ <u>28,151</u>	\$ <u>530,312</u>
Operating expenses:					
Provision for depreciation	15,678	6,042	4,418	5,244	31,382
Other	331,150	94,313	18,852	20,820	465,135
Total operating expenses	<u>346,828</u>	<u>100,355</u>	<u>23,270</u>	<u>26,064</u>	<u>496,517</u>
Operating income	15,683	10,998	5,027	2,087	33,795
Non-operating revenue (expense), net	<u>(4,591)</u>	<u>(3,495)</u>	<u>(569)</u>	<u>(2,034)</u>	<u>(10,689)</u>
Change in net assets	11,092	7,503	4,458	53	23,106
Net assets – beginning of year	<u>201,403</u>	<u>114,748</u>	<u>123,231</u>	<u>147,305</u>	<u>586,687</u>
Net assets – end of year	<u>\$ 212,495</u>	<u>\$ 122,251</u>	<u>\$ 127,689</u>	<u>\$ 147,358</u>	<u>\$ 609,793</u>

(continued)

CITY OF KNOXVILLE, TENNESSEE

Notes to Financial Statements

June 30, 2004

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NOTE 13 - SEGMENT INFORMATION (continued)

Condensed Statement of Cash Flows

	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
Net cash provided by operating activities	\$ 30,577	\$ 18,573	\$ 15,074	\$ 10,369	\$ 74,593
Net cash used by capital and related financing activities	(23,708)	(8,258)	(12,334)	(4,996)	(49,296)
Net cash used by investing activities	<u>(8,480)</u>	<u>(665)</u>	<u>(3,568)</u>	<u>(3,865)</u>	<u>(16,578)</u>
Net increase (decrease) in cash and cash equivalents	(1,611)	9,650	(828)	1,508	8,719
Cash and cash equivalents – beginning of year	<u>20,608</u>	<u>28,233</u>	<u>19,917</u>	<u>10,830</u>	<u>164,287</u>
Cash and cash equivalents – end of year	<u>\$ 18,997</u>	<u>\$ 37,883</u>	<u>\$ 19,089</u>	<u>\$ 12,338</u>	<u>\$ 173,006</u>

NOTE 14 - JOINT VENTURES

Public Building Authority

In 1975, the Authority was formed as a not-for-profit corporation incorporated pursuant to provisions of the Public Building Authority Act of the State of Tennessee and an operating agreement between the City and Knox County. The Authority constructed and presently maintains and operates the City/County Building, which houses the governments of the City and County. The City and County pay rent to the Authority sufficient to meet operating costs with the City responsible for 36.49% of the payments.

An eleven-member board comprised of six County appointees and five City appointees operates the Authority. As described in the operating agreement, the City and County acting jointly may terminate the lease when all debt service and other obligations of the Authority have been met. In the event of termination, the City and County shall direct the Authority to whom and in what manner title to the assets is to be transferred.

Metropolitan Planning Commission (MPC)

The MPC is a public agency formed under joint resolution by the City and Knox County to design and monitor the Metropolitan Planning Program. The MPC is governed by a fifteen-member board comprised of eight County appointees and seven City appointees. Although there is no specific funding agreement, the City and County have historically provided funding in approximately equal amounts.

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